

Message Text

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C O N F I D E N T I A L STATE 039490

FROM UNA

FOLLOWING REPEAT KINSHASA 1494 SENT ACTION SECSTATE INFO
BONN, BRUSSELS, LUBUMBASHA, PARIS 13 FEB 78

QUOTE C O N F I D E N T I A L KINSHASA 1494

E.O. 11652: GDS

TAG: EAID CG

SUBJ: FEB 10 MEETING WITH MOBUTU: ECONOMIC/FINANCIAL MATTERS

1. SUMMARY. MOBUTU STATES HE WILL SHORTLY ASK THE IMF TO TAKE
OVER MANAGEMENT OF THE CENTRAL BANK AS PART OF HIS COMMITMENT TO
FINANCIAL REFORM. HE WILL ALSO BRING IN ADDITIONAL BELGIAN AND
FRENCH FINANCIAL EXPERTS TO IMPROVE MANAGEMENT IN KEY AREAS
OF GOZ. MOBUTU INTENDS TO SEND MINISTERS OF BOTH FOREIGN AFFAIRS
AND PLANNING TO WASHINGTON THIS MONTH TO DISCUSS MOBUTU PLAN WITH
USG AND IMF/IBRD. END SUMMARY.

2. I MET WITH MOBUTU ALONE FOR ONE HOUR FEB 10 IN ABIDJAN. I
EXPLAINED I WOULD BE GOING TO WASHINGTON EARLY NEXT WEEK FOR CON-
SULTATIONS AND APPRECIATED THE CHANCE TO EXCHANGE VIEWS ON A NUMBER
OF MATTER OF MUTUAL INTEREST BEFORE RETURNING. I EXPLAINED THAT,
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WHILE MY CONSULATIONS COULD BE CONSIDERED ROUTINE, THEIR TIMING
WAS PROPITIOUS INsofar AS THE ADMINISTRATION WAS NOW DEVELOPING
ASSISTANCE PROGRAMS FOR NEXT FISCAL YEAR WHICH WOULD SOON BE
CONSIDERED BY THE CONGRESS. I LOOKED FORWARD TO REVIEWING
OUR IMPORTANT PROGRAMS IN ZAIRE.

3. I THEN ASKED MOBUTU HOW HIS TALKS IN EUROPE HAD GONE. HE SAID HE

HAD BEEN VERY ENCOURAGED BY THE UNDERSTANDING AND ASSURANCES OF CONTINUED SUPPORT HE HAD ENCOUNTERED IN PARIS, BONN AND BRUSSELS-- NOT ONLY FROM GOVERNMENTS BUT IN THE PRIVATE SECTORS AS WELL. DESPITE BEING EXHAUSTED BY THE GRUELING SCHEDULE, HE WAS SATISFIED HIS VISITS HAD BEEN MOST USEFUL IN MOVING AHEAD TOWARD ECONOMIC RECOVERY INCLUDING CLARIFICATION OF THE MOBUTU PLAN.

4. PURSUING THIS POINT, I SAID THAT, AS MOBUTU WAS ALREADY AWARE, THE US SUPPORTED THE PRINCIPLE OF PARTICIPATING IN A MULTILATERAL, COORDINATED EFFORT TO ASSIST ZAIRE; AT THE SAME TIME, WE WERE VERY INTERESTED IN THE REFORMS WHICH ZAIRE WAS COMMITTED TO UNDERTAKE AND WHICH WE VIEWED AS ESSENTIAL FOR RECOVERY. WE HAD BEEN ENCOURAGED, FOR EXAMPLE, BY THE STRESS ON IMPROVING FINANCIAL MANAGEMENT

IN MOBUTU'S NOV 25 SPEECH OUTLINING THE MOBUTU PLAN. I WAS SURE WASHINGTON WOULD BE INTERESTED IN HEARING MORE ABOUT THESE AS WELL AS OTHER REFORMS WHEN THE TIME CAME FOR GOZ EMISSARIES TO CONSULT WITH DONORS. MOBUTU SAID HE WAS FULLY DETERMINED TO GET HIS FINANCIAL HOUSE IN ORDER. TO THIS END, IT HAD BEEN AGREED IN EUROPE THAT THE FRENCH WOULD TAKE OVER A NUMBER OF KEY POSITIONS IN THE DEPT OF FINANCE, INCLUDING RUNNING THE "INSPECTION DES FINANCES"; THE BELGIANS WOULD TAKE OVER CUSTOMS AND SUPPLY ADVISORS AND TECHNICIANS FOR OTHER GOZ FINANCIAL AGENCIES INCLUDING THE CENTRAL BANK; AND THE IMF WOULD BE ASKED TO "RUN" THE CENTRAL BANK BY FILLING THE POSITION OF DIRECTOR-GENERAL. MOBUTU SAID THE LATTER DECISION HAD ALREADY BEEN MADE KNOWN TO THE BELGIAN AND FRENCH GOVERNMENTS AND CONFIDENTIAL

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THAT A FORMAL REQUEST WOULD BE CONVEYED TO THE IMF BY GOZ EMISSARIES GOING TO WASHINGTON LATER THIS MONTH.

5. THESE EMISSARIES, MOBUTU WENT ON, WOULD BE FONMIN UMBA DI LUTETE AND MIN FOR PLANNING MULUMBA LUKOJI. HIS THINKING WAS TO SEND THEM TO WASHINGTON ABOUT FEB 20 FOR CONSULTATIONS WITH BOTH THE USG AND THE IMF/IBRD. I SAID THEY SOUNDED LIKE A WELL-QUALIFIED TEAM AND I WAS SURE THEY WOULD BE WELL RECEIVED. (NOTE: IT WAS NOT CLEAR WHETHER MOBUTU'S PLANS RE UMBA AND MULUMBA HAVE YET REACHED THE POINT OF A FIRM DECISION; I EXPECT THE GOZ WILL FOLLOW UP SHORTLY WITH A MORE CONCRETE REQUEST.)

6 MOBUTU SAID A LOT OF WORK HAD BEEN DONE ON THE MOBUTU PLAN BUT HE CONSIDERED THE DOCUMENT FINALLY PRODUCED AS TOO LONG AND DETAILED. HE HAD THEREFORE ORDERED THAT IT BE REVISED TO FOCUS MORE CLEARLY ON THOSE NEEDS THAT WERE MOST URGENT AND AT THE SAME TIME MOST FEASIBLE IN THE SHORT TERM (I.E., 1978-1980). FOR EXAMPLE, IN THE TWO HIGHEST-PRIORITY AREAS OF TRANSPORTATION AND AGRICULTURE, IT WAS NECESSARY TO IDENTIFY SPECIFIC, MANAGEABLE PROJECTS THAT WOULD RESOLVE SPECIFIC OBSTACLES, SUCH AS REPAIRING A BRIDGE OR A FERRY THAT WAS VITAL FOR GETTING FOOD TO MARKET IN A GIVEN AREA. WE MUST START WITH "SIMPLE THINGS," MOBUTU ASSERTED,

AND LEAVE THE MORE COSTLY, COMPLICATED PROJECTS FOR LATER.
PURSUING THIS POINT, MOBUTU SAID PRIORITY SHOULD BE GIVEN TO GROWING
AND MARKETING MORE OF THOSE AGRICULTURAL PRODUCTS WHICH ZAIRE ALREADY
PRODUCES IN QUANTITY, LIKE RICE, CORN AND COTTON, AND THEREBY
SAVE FOREIGN EXCHANGE FOR IMPORTING ONLY COMMODITIES WHICH ARE MORE
DIFFICULT OR IMPOSSIBLE TO PRODUCE LOCALLY, SUCH AS WHEAT.
MOBOTU RECOGNIZES THIS WOULD TAKE TIME TO ACCOMPLISH, AND IT WAS
THEREFORE ESSENTIAL THAT IN THE MEANTIME WE CONTINUE OUR SHIPMENTS
OF SURPLUS AGRICULTURAL COMMODITIES.

7. TURNING TO THE PL480 PROGRAM, I SAID MY IMPRESSION WAS THAT
GENERALLY IT WAS BEING IMPLEMENTED WELL AND THAT THE SEVERAL
GOVT DEPARTMENTS RESPONSIBLE FOR IMPLEMENTATION WERE DOING THEIR
BEST TO ASSURE EQUITABLE DISTRIBUTION. THERE WERE OF COURSE PROBLEMS,
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ONE OF THEM BEING KEEPING THE RICE OUT OF THE HANDS OF SPECULATORS.
I NOTED THIS WAS ESSENTIALLY FOR THE GOZ TO WORK OUT, AND ITS
SUCCESS IN DOING SO WOULD INEVITABLY HAVE A FAVORABLE IMPACT
ON OUR ABILITY TO MAINTAIN FUTURE PL480 PROGRAMS.
MOBUTU, ACKNOWLEDGING THE PROBLEM, SAID ADEQUATE
SUPPLY WAS THE ONLY EFFECTIVE ANSWER TO SPECULATION. I AGREED, NOTING
THE IMPORTANCE OF FINDING WAYS TO STIMULATE LOCAL PRODUCTION IN-
STEAD OF RELYING PRINCIPALLY ON PL480 IMPORTS, THE LEVELS OF
WHICH COULD IN ANY CASE VARY DEPENDING ON AVAILABILITY (IN THIS
CONNECTION I NOTED IT WAS UNLIKELY WE COULD MEET ALL OF THE GOZ'S
RICE DEMANDS FOR 1978). I ALSO SUGGESTED THAT BETTER IMPLEMENTATION
OF THE PL480 PROGRAM COULD BE FACILITATED BY CAREFUL SELECTION OF
LOCAL DISTRIBUTORS, WITH STRONG CONSIDERATION GIVEN TO THEIR PERFORMANCE

THIS AND LAST YEAR. MOBUTU NODDED ACKNOWLEDGEMENT.

8. I THEN RAISED THE MATTER OF DISTRIBUTION OF PL480 CORN:
5,000 TONS HAD BEEN IMPORTED WITH THE UNDERSTANDING THAT IT WOULD
ALL GO TO SHABA AS A TEST SHIPMENT IN CASE THAT REGION'S NORMAL
SOURCES OF SUPPLY SHOULD SOMEDAY BE CUT OFF. I WAS THEREFORE
CONCERNED BY REPORTED PLANS BY ONACER TO DIVERT MUCH OF THE CORN
FOR SALES IN KINSHASA. MOBUTU SAID HE BELIEVED STRONGLY THAT THE
CORN SHOULD GO TO SHABA AS ORIGINALLY PLANNED, AND INDICATED
(BUT DID NOT EXPLICITLY STATE) THAT HE WOULD TAKE ACTION TO ASSURE
THAT IT DOES.

9. COMMENT: IN GENERAL, MOBUTU SHOWED A LIVELIER INTEREST AND
WAS MORE RESPONSIVE THAN HERETOFORE IN DISCUSSING ECONOMIC AND
FINANCIAL QUESTIONS--AN AREA HE USUALLY IS RELUCTANT TO GET INTO.
HIS EXPLICIT STATEMENT THAT HE WILL ACCEPT THE IMF MANAGEMENT OF
THE CENTRAL BANK (RATHER THAN SOME MARGINAL, ADVISORY ROLE) REPRESENTS

ENCOURAGING MOVEMENT TOWARD GIVING THAT KEY INSTITUTION GREATER
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AUTONOMY, ESPECIALLY TIGHTER CONTROL OVER FOREIGN EXCHANGE. IT ALSO SEEMS TO REFLECT BELGIAN SUCCESS IN PINNING MOBUTU DOWN ON A POINT OF CENTRAL IMPORTANCE TO FINANCIAL REFORM. THE ONLY CAVIAT MOBUTU EXPRESSED TO ME WAS THAT WHOEVER THE IMF PROPOSED TO MANAGE TO BANK WOULD HAVE TO BE ACCEPTABLE TO THE GOZ, WHICH IS TO BE EXPECTED. WHAT REMAINS TO BE SEEN IT WHETHER, AND ON WHAT TERMS, THE IMF WILL AGREE TO INVOLVE ITSELF IN THE CENTRAL BANK'S OPERATIONS. PRESUMABLY THE BELGIANS WILL BE ACTIVELY ENCOURAGING THE IMF TO DO SO. WITHOUT GETTING OUT IN FRONT, I BELIEVE WE SHOULD BE PREPARED TO SUPPORT ANY SUCH BELGIAN EFFORTS AT THE APPROPRIATE TIME.
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